

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

April 11, 2000

The Capital Projects and Bond Oversight Committee met on Tuesday, April 11, 2000 at 9:00 a.m., in Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chairman; Senator Bob Leeper, Vice Chairman; Senator Bob Jackson; and Representatives Paul Marcotte and Jim Wayne.

Guests testifying before the Committee: Ken Clevidence, University of Kentucky; Bill Hintze, Governor's Office for Policy and Management; Armond Russ and Jim Abbott, Finance and Administration Cabinet; General Larry Barker and Richard Owen, Department of Military Affairs; Porter Dailey, Morehead State University; Roger Recktenwald, Kentucky Infrastructure Authority; and Don Mullis, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Jack Affeldt, Lola Williamson Lyle, Kevin Mason, and Shawn Bowen.

Representative Wayne made a motion to approve the minutes of the March 15, 2000 meeting as submitted. The motion was seconded by Senator Jackson and passed by voice vote.

Chairman Haydon called on Ms. Mary Lynn Collins, Capital Projects and Bond Oversight Committee Staff Administrator, to review various items included in members' folders. She noted two correspondence items: the Kentucky Lottery Corporation's monthly financial status report for February 2000 and quarterly capital construction reports.

Ms. Collins also reviewed items included in the newsletter prepared by Committee staff to keep members updated about active capital projects. She said this month's newsletter contained an article reporting that Standard and Poor's has upgraded the state's appropriation-backed debt from A+ to AA-. She also discussed other items in the newsletter including: (1) problems with the Revenue Cabinet's new \$8 million computer system; (2) structural problems with external breezeways and the staircases at the

Northern Kentucky University (NKU) Residential Village Complex, a dorm built through the build to suit process in 1992; and (3) energy efficiency projects for the State Fair Board, the Cabinet for Families and Children, and Western Kentucky University.

Ms. Collins then discussed a news article concerning the new Transportation Cabinet office building. She explained that the Finance Cabinet had initially planned to build the new building on state-owned property located on the East-West Connector (known as the Carpenter Farm), but later a decision was made to site the building downtown. The *State Journal* article indicated that the Finance Cabinet has asked the City of Frankfort to consider a land swap that would allow a church located in the path of the new office building to relocate to city-owned property on the East-West Connector. The Finance Cabinet official, in presenting the project to the city commission, indicated that the state is spending an additional \$30 million to build downtown instead of on the East-West Connector.

Ms. Collins next reported on the General Assembly's enactment of House Bill 734, which deals with oversight of court facility construction projects by the Committee and by the Administrative Office of the Courts. The bill was sponsored by Representative Robert Damron.

Representative Marcotte said he would like to discuss the new Transportation Cabinet building at a future Committee meeting. He said while he realized the benefits of revitalizing downtown Frankfort, \$30 million is a significant cost differential and the Committee should look very closely at this expenditure.

Representative Wayne said he also would like to see further discussion on the Revenue Cabinet's computer system and the NKU Residential Village complex. Chairman Haydon indicated he would work with staff in arranging presentations on the three projects for the Committee's next meeting.

Chairman Haydon said the first item of new business was a project report submitted by the University of Kentucky (UK). He introduced Mr. Ken Clevidence, Director, UK Capital Construction Division.

Mr. Clevidence said the University plans to lease-purchase a printer through GE Capital for the UK Medical Center. The printer was authorized for purchase in the 1998-2000 Executive Budget. The total cost of the contract, including interest, is \$231,038. Mr. Clevidence said the lease-purchase agreement will result in a savings of approximately \$35,000.

Chairman Haydon said no further action by the Committee was required for this project.

Chairman Haydon then introduced Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, and Commissioner Armond Russ, Department for Facilities Management, to discuss five projects submitted by the Finance and Administration Cabinet.

Mr. Hintze first discussed a \$70,000 agency funded scope increase for the Northern Kentucky University Landrum Hall Structural Safety Repairs project. The project was authorized by the 1998 General Assembly for \$650,000. Mr. Hintze said the additional funds will be used to accept the low project bid. The revised project scope would be \$720,000. Chairman Haydon noted that no further action is required on emergency projects.

Mr. Hintze next discussed two projects for the Department of Juvenile Justice. The Department plans to build two secure juvenile detention centers in Laurel and Boyd Counties. Mr. Hintze said the Laurel County facility was authorized by the 1998 General Assembly for \$5,357,000. To keep the project's contingency budget at 5% as it goes into the construction phase, the Cabinet is requesting an allocation of \$92,000 from the Capital Construction and Equipment Purchase Contingency Account. The revised project scope would be \$5,449,000.

The Boyd County secure juvenile detention facility was also authorized by the 1998 General Assembly at \$5,357,000. Mr. Hintze said project bids received late last year were over budget, so the project was downsized and is being rebid. However, he said the estimated cost of the project indicates it is still \$700,000 over budget. The Department has asked that they be permitted to use \$700,000 of federal funds they have received to make up the shortfall. The revised project scope would be \$6,057,000.

Mr. Hintze said in the past the Committee has admonished the Department of Juvenile Justice for not presenting federally-funded projects to the General Assembly during the regular legislative session. He explained that in this case in order for the Department to meet the bid award date, it was necessary to present the project to the Committee. (The \$700,000 in additional federal funds was included in the Governor's recommended budget, and Finance Secretary John McCarty noted in correspondence to the Committee that the project was being submitted to the Committee as well "in the event the budget is not adopted in a timely fashion.")

Mr. Hintze reported that the Finance and Administration Cabinet approved a request from the Department of Military Affairs to construct a Battle Simulation Center at the Wendell H. Ford Regional Training Center near Greenville (Muhlenberg County). The project scope is \$462,000 and is 100% federally funded.

Representative Wayne asked why this project was not included in the budget bill. Mr. Hintze said he did not know when the Department of Military Affairs became aware of the availability of federal funds. General Larry Barker, Executive Director, Office of Management and Administration, Department of Military Affairs, said the Department just received funding notice within the past month.

Representative Wayne said the Department then had a month to add this project to the budget. He said the legislative process should not be bypassed as decisions are made on priorities for federal funds relating to the National Guard.

Mr. Richard Owen, Administrative Section Supervisor, Department of Military Affairs, said the Department found out about an opportunity for the federal money in November 1999 and requested the money. He said there was no guarantee that the Department would receive the award, but on March 15, the Department received a call informing them the money was on its way.

Representative Wayne said this facility is a major training center that will attract National Guard Units from other states, and a legislative review of these kinds of projects is necessary. He said he had a problem with the Department trying to circumvent the legislative process.

General Barker said this is part of a \$20 million project that is now in Phase IV. Representative Wayne said this was a large project and it should be reviewed by the legislature and not just by the Committee. He said the Department of Military Affairs had the opportunity to include this project in the budget, especially if they knew about the federal funding last November.

Chairman Haydon said this is a good project and he was impressed with what he had seen. However, he said he concurred with Representative Wayne that the Department needs to use the proper legislative process when requesting legislative approval for its projects.

Mr. Hintze then discussed an Artificial Turf Replacement project for Morehead State University (MoSU). He said this project is proposed in the 2000 budget for \$1,000,000. Mr. Hintze said the project scope is \$600,000 and is funded through private donations and agency funds. The football field turf will be replaced in the spring in order to be ready by fall.

In response to a question from Representative Wayne, Mr. Hintze said the MoSU project has gone through the legislative process. It is included in the House and Senate-enacted budgets. However, because of the delay in the enactment of the state budget, and

the time sensitive nature of the project, they decided to present it to the Committee as well.

In response to a question from Chairman Haydon, Mr. Porter Dailey, Vice President for Administration, MoSU, said the original artificial turf is 14 years old.

Representative Wayne made a motion to approve the cost overruns for the two Department of Juvenile Justice projects and the MoSU Artificial Turf Replacement project. The motion was seconded by Senator Leeper and passed by voice vote.

Representative Wayne suggested that the Committee not vote on the Department of Military Affairs project since the Department failed to submit it in the legislative budget process. No action was taken on the Battle Simulation Center.

Commissioner Russ then referred to the earlier discussion about the new Transportation Cabinet office building. He noted that of the additional \$30 million needed for the downtown site, \$20 million will be spent for a parking garage and \$7-\$10 million for land acquisition - neither of which would be necessary if the building was built on the state-owned site on the East-West Connector.

Representative Marcotte said even though that explains the difference in construction cost at the two sites, the downtown site will still cost \$30 million more. He said that \$30 million would go a long way towards other capital projects, including university construction.

Commissioner Russ and Mr. Hintze said, as requested, additional information would be provided at next month's meeting on the Transportation Cabinet office building as well as the Revenue Cabinet computer system and the NKU Residential Village Complex.

Chairman Haydon called on Mr. Jim Abbott, Director, Department for Facilities Management, to discuss three lease modification reports and one lease cancellation.

Mr. Abbott reported three modifications for state leases in Franklin County: The Labor Cabinet (PR-1069) submitted a request to build a handicap accessible ramp at a cost of \$1,625; the Governor's Office for Technology (PR-3947) submitted a request to renovate its facility to accommodate additional staff at a cost of \$21,077; and the Council on Postsecondary Education (PR-3961) submitted a request to renovate space acquired at its facility for the Commonwealth Virtual University at a cost of \$9,456. The cost of these lease modifications will be amortized over the remaining lease term for each agency. Chairman Haydon said no action is required for lease modifications of less than \$50,000.

Mr. Abbott then reported the cancellation of a lease for the Department of Corrections in Jefferson County (PR-2936). He said over a two-year period, the Department of Corrections has been decentralizing its Probation and Parole Office into five different locations. The original lease contained 21,574 square feet and had an annual cost of \$335,691; the five leases now in place represent a total of 28,149 square feet and an annual cost of \$321,277, an annual savings of approximately \$14,000 in leasing costs.

Representative Wayne commended Mr. Abbott and the Department of Corrections for their efforts to decentralize its offices. He said the Department of Corrections has a satellite office located in his district, and although his constituents were initially frightened at having a probation office in the neighborhood, they now recognize the benefits of having a law enforcement office close to home.

Next, Mr. Roger Recktenwald, Executive Director for the Kentucky Infrastructure Authority (KIA), presented four new KIA projects and one KIA loan amendment:

1) A \$350,245 KIA Fund A (Federally Assisted Wastewater Revolving Loan Fund) loan for the City of Morehead, Rowan County. The loan will be used to expand the sewer facility. The terms of the loan are 3.8% for 20 years.

2) A \$3,277,785 Fund F (Federally Assisted Drinking Water Revolving Loan Fund) loan for the City of Bowling Green, Warren County. The loan will be used to renovate the city's water treatment plant. The terms of the loan are 3.8% for 20 years.

3) A \$58,440 Fund F loan for the City of Providence, Webster County. The loan will be used to design the renovation and upgrade of the city's water treatment system. The terms of the loan are 3.8% for five years.

4) An \$88,000 Fund F loan for the City of Grayson, Carter County. The loan will be used to design the renovation and upgrade of the city's water treatment system. The terms of the loan are 3.8% for five years.

5) A Fund B (the Infrastructure Revolving Loan Fund) loan amendment for the Gallatin County Water District. The Water District is requesting a loan increase in the amount of \$52,610 to meet the low project bid. The revised loan amount is \$752,610.

Representative Marcotte made a motion to approve the four new KIA loans and one KIA loan amendment. The motion was seconded by Representative Wayne and passed by voice vote.

Next, Mr. Don Mullis, Executive Director, Office of Financial Management, reported on five items for the Committee's consideration. Mr. Mullis said enclosed in members' folders was the semi-annual report of the Kentucky Asset/Liability Commission. He said he would be happy to answer questions from Committee members when more time is available.

Mr. Mullis next reported four new bond issues: Morehead State University Housing and Dining System Revenue Bonds, Series N and Series O (\$9,420,000); Kentucky Higher Education Student Loan Corporation Student Loan Revenue Bonds, Series A (Taxable) and Series B (Alternative Minimum Tax) (\$150,000,000); Kentucky Housing Corporation Housing Revenue Bonds, 2000 Series A, B, C, D, E, and F (\$150,519,371); and Kentucky Economic Development Finance Authority Variable/Fixed Rate Demand Solid Waste Disposal Facilities Revenue Bonds for Republic Services, Inc., Series 2000 (\$7,920,000).

Senator Leeper made a motion to approve the four new bond issues. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon said there were three locally funded school bond issues submitted to the Committee for review this month: Bourbon County; Caverna Independent (Barren Co.); and Montgomery County. He said all disclosure information has been filed and no further action on these bond issues was required.

Chairman Haydon said the Committee's next meeting is scheduled for Tuesday, May 16, 2000, in Room 129 of the Annex.

With there being no further business, Representative Wayne made a motion to adjourn the meeting. The motion was seconded and passed by voice vote. The meeting adjourned at 10:00 a.m.